



HOUSING

AUTHORITY OF THE
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August 20, 2012

Hand Delivered

Sue Gray, Administrative Services Manager
Community Development Department
City of Santa Barbara
630 Garden Street
Santa Barbara CA 93101

RE: 521 N. LA CUMBRE LANE (VILLA LA CUMBRE) REQUEST FOR SUBORDINATION OF EXISTING RESIDUAL RECEIPTS LOAN

Dear Ms. Gray,

The Housing Authority of the City of Santa Barbara is planning to recapitalize Villa La Cumbre, a 60 unit affordable senior housing development located at 521 N. La Cumbre Road, Santa Barbara, CA. This complex was originally developed in 1986 and was purchased by the Housing Authority on April 28, 2000 using, in part, a \$886,700 low interest, residual receipts loan from the Redevelopment Agency of the City of Santa Barbara. As the property is now 26 years old, many building materials and systems are in need of repair and/or replacement. Accessing the Federal Low-Income Housing Tax Credit Program (LIHTC) and a tax-exempt bond issuance, the Housing Authority is planning to perform the necessary rehabilitation of this property along with another Authority owned affordable senior housing development, SHIFCO, located on the Mesa.

To facilitate this transaction and to ensure the long term stability of Villa La Cumbre, the Housing Authority is making this formal request to your office (the Housing Successor Agency (HSA) of the Redevelopment Agency) to subordinate the above referenced loan on the property to the new financing that will ultimately take the form of an FHA/HUD-insured mortgage. The outstanding balance of the HSA loan as of July 31, 2012 is \$1,178,559.11 (principal and accrued interest).

As explained in our past meetings and reports made as part of the TEFRA hearing held by the City Council on June 13, 2012 for the project, the Housing Authority has formed a California limited partnership that will purchase the improvements existing on both Villa La Cumbre and SHIFCO. The Housing Authority will retain fee title ownership of the land and will master lease the improvements back from the partnership in order to maintain operational control of the properties during the initial 15 year tax credit compliance period. After this initial period, the Housing Authority will repurchase the improvements under an option, returning them to its non-HUD portfolio under favorable terms. This model, utilizing the wrap around master lease of the improvements back to the Housing Authority, is tried and proven with several of our other "non-HUD" (LIHTC) rental housing developments.

Letter Request – Subordination of Residual Receipts Loan for Villa La Cumbre

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The planned rehabilitation of Villa La Cumbre is budgeted at \$1,533,806 (\$25,563.43 per unit) and will include the following:

- Replacement of hydronic heating units and water heaters with energy efficient models
- New kitchen counters, cabinets and energy efficient appliances
- New flooring throughout
- New windows
- New entry doors
- Replacement of plumbing fixtures
- New perimeter fencing
- Upgrade of electrical fixtures

This rehabilitation project will enable the Housing Authority to continue providing quality affordable housing for the current and future residents of Villa La Cumbre for the next several decades by extending its useful life.

To be clear, the existing residual receipts loan will remain an obligation of the Housing Authority of the City of Santa Barbara, but will be, subject to the City's approval, subordinate to the new permanent HUD-insured financing with the Limited Partnership. As discussed previously with City staff, to preserve the City's position on residual receipts payments on the loan, the Housing Authority is open to negotiating mutually agreeable repayment terms, such as maintaining residual receipts payments at the greater of the actual residual receipts for each program year or \$60,000 per year, which was the amount paid in 2012 based on our 2011 results of operations.

We are expecting to have our tax credit application and bond allocation approval from the State in mid-September and are looking to close the new financing, with concurrent subordination of the City's residual receipts loan, between November 15th and December 15th, 2012. We appreciate your review and forwarding of this request to the City Council (the Housing Successor Agency) for their consideration prior to the stated closing time frame.

If you should require any additional information, please feel free to contact me at 805-897-1051 or via email rfredericks@hacsb.org

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA



ROB FREDERICKS
Deputy Executive Director/CAO

cc: Robert G. Pearson, Executive Director
Bob Peirson, Director of Finance